

Response to question 14

The Standard Metals consent decree, entered by the United States District Court for the District of Colorado on February 2, 2009, (Consent Decree) resolves the liability of the Standard Metals Corporation arising under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et. seq, (CERCLA), for the following nine sites:

American Tunnel, San Juan County, Colorado
Antler Site, Mohave County, Arizona
Arrastra Gulch Disposal Site, San Juan County, Colorado
Grand Mogul Mine, San Juan County, Colorado
Mayflower Mill and Tailings Site, San Juan County, Colorado
Mogul Mine, San Juan County, Colorado
Ross Adams, Site, Prince of Wales Island, Alaska
Standard Mine Site, Gunnison County, Colorado
Sunnyside Mine, San Juan County, Colorado

The parties to the Consent Decree include the U.S. Environmental Protection Agency (EPA), the U.S. Department of Agriculture Forest Service (Forest Service), the U.S. Department of the Interior Bureau of Land Management (BLM), the Colorado Department of Public Health and Environment, the Colorado Department of Natural Resources and the Attorney General of the State of Colorado, in addition to Standard Metals Corporation.

Standard Metals Corporation (formerly known as Standard Uranium Corporation) was incorporated in Delaware on January 11, 1954. The company changed its name to Standard Metals Corporation in 1960, and its stock was traded on the American and Pacific Coast Stock Exchanges. Its principal business involved the development and production of lead, zinc, uranium concentrates and other base metals. The company engaged in mining activities in Arizona, Colorado and Utah. From the mid 1960s until his death in February 1997, Boris Gresov served as the president of the company and chairman of the board of directors.

Standard Metals diversified its business. In 1967 it entered the cosmetic business by acquiring existing cosmetic companies. In 1981, it acquired existing companies involved in lead smelting and energy related pipeline construction. In March 1984, Standard Metals filed for bankruptcy under Chapter 11 in the District of Colorado along with its subsidiaries, National Smelting & Refining Company, Inc., National Smelting of New Jersey, Inc. and Luke Construction Company. Standard Metals attributed the filing to losses by the subsidiaries and its inability to make loan and royalty payments. By this time the company's only operations were at the Sunnyside Mine and Mayflower Mill in Silverton, Colorado.

Standard Metals emerged from bankruptcy with a confirmed plan of reorganization in 1986. The subsidiary companies were liquidated, the Sunnyside Mine was sold to Echo Bay, Inc., an

American subsidiary of the Canadian company, Echo Bay Mines, Ltd, and Standard Metals was paid approximately \$20 million and retained a 30% interest in future operations of the Sunnyside Mine. Standard Metals used most of the cash to pay creditors and cure defaults on leases. Standard Metals emerged from bankruptcy with approximately \$900,000 in cash, its 30% interest in the Sunnyside properties, numerous non-operating mining properties, and a net operating loss for federal income tax purposes of approximately \$13.3 million.

Since the bankruptcy, Standard Metals' primary business activity has been to maintain or sell its mining claims. The company generates no income and has no resources to develop its non-operating properties. The company owed creditors under its bankruptcy plan of reorganization approximately \$20 million. Upon the death of Boris Gresov in 1997, his son, Winston Gresov, became chief executive officer, vice-president, and chairman of the board for the company.

In 2004, EPA commenced an investigation to identify potentially responsible parties for the Standard Mine site in Gunnison County, Colorado. During the course of this investigation, EPA uncovered secondary evidence of insurance coverage that covered environmental damages. EPA also conducted an evaluation of Standard Metals' financial condition. EPA concluded that the only assets of the company were the insurance claims and approximately 125 patented mining claims consisting of approximately 800 acres with a tax assessed value of \$1.4 million. EPA also discovered that Standard Metals was responsible for contamination at least eight other sites. EPA invited other federal and state agencies to join EPA in a collaborative enforcement approach.

EPA, together with the State of Colorado, BLM and the Forest Service, negotiated a settlement with Standard Metals that allowed the agencies to pursue claims against the insurance companies. Standard Metals agreed to assist the government in pursuing recovery from insurers that issued insurance policies to Standard Metals and to pay to the United States fifty percent (50%) of the first \$180,000 recovered and ninety percent (90%) of all insurance recovery thereafter. Standard Metals also agreed to transfer any real property to which it held title to the United States upon request. The Forest Service and BLM reviewed the company's holdings and expressed interest in possibly acquiring much of the land for the public. The government agencies also agreed how to allocate future insurance recoveries among the various sites and entered into a Memorandum of Understanding for this allocation. It was agreed that EPA and DOJ would take the lead in negotiations with insurers, enforcement costs would be reimbursed first, a reserve in the amount of \$20,000 would be established to pay outstanding real estate taxes on property that BLM or the Forest Service elected to acquire and thereafter, funds would be allocated among the sites on a pro rata basis with the exception of federal natural resource damage claims which were satisfied by the option to acquire land.

Thereafter, Standard Metals with assistance from DOJ and EPA entered into five settlement agreements with insurers. Over \$900,000 was recovered to address contamination at the six "Silverton" sites in San Juan County, Colorado, and evenly distributed to EPA and BLM. Over \$1.3 million was recovered to address contamination and natural resource damages at the Standard Mine site in Gunnison County, Colorado and was distributed to EPA and the State of Colorado. In addition, at the request of BLM, Standard Metals transferred title to approximately 980 acres of land in San Juan and Ouray counties pursuant to the Consent Decree.

Enforcement/Investigatory/Ex. 7A